

**HURON COUNTY TRANSIT FUNDS
Bad Axe, Michigan**

Component Units' Financial Statements

Annual Financial Report

September 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Huron Transit Funds	County Huron
Fiscal Year End 9/30/07	Opinion Date 3/26/08	Date Audit Report Submitted to State 3/31/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

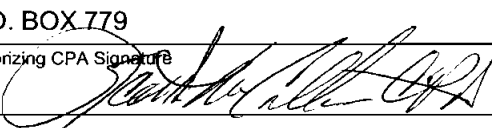
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Robson & McCallum, CPA's		Telephone Number 810-664-2961	
Street Address P.O. BOX 779		City LAPEER	State MI
Zip 48446			
Authorizing CPA Signature 	Printed Name Scott A. McCallum, CPA		License Number 15463

**Huron Transit Corporation
Annual Financial Report
For the Fiscal Year Ended September 30, 2007**

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Huron Transit Funds
Bad Axe, Michigan 48413

We have audited the financial statements of the Huron Transit Funds, a component unit of the County of Huron, as of and for the year ended September 30, 2007 as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation and the County of Huron. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements present fairly, in all material respects, the financial position of the Huron Transit Funds at September 30, 2007, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated March 26, 2008 on our consideration of Huron Transit Funds's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the component unit financial statements of Huron Transit Funds, County of Huron, taken as whole. The accompanying financial information listed as supplementary financial information in the table of contents, including the Schedule of Federal and State Financial Assistance as required by Michigan Department of Transportation Audit Guide, is presented for purposes of additional analysis and is not a required part of the financial statements of Huron Transit Funds. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Huron Transit Funds has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.


Robson and McCallum
March 26, 2008

HURON COUNTY TRANSIT FUNDS
STATEMENT OF NET ASSETS
September 30, 2007

	<u>GOVERNMENTAL ACTIVITY HURON TRANSIT FUND</u>	<u>BUSINESS TYPE ACTIVITY HURON TRANSIT CORPORATION</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 820,132	\$ 51,887
Accounts Receivable		27,396
Operating Grants Receivable	10,796	
Capital Grants Receivable	40,000	
Due from Other Fund	60,316	
Prepaid Expenses		27,696
Inventory		1,010
Total Current Assets	<u>\$ 931,244</u>	<u>\$ 107,989</u>
Property and Equipment		
Land	\$ -0-	\$ 17,500
Operating Facility		1,162,069
Equipment		409,189
Vehicles:		
Revenue		2,325,784
Other		83,407
Total Property and Equipment	\$ -0-	\$ 3,997,949
Less: Accumulated Depreciation	<u>-0-</u>	<u>(3,087,099)</u>
Net Capital Assets	<u>\$ -0-</u>	<u>\$ 910,850</u>
Total Assets	<u>\$ 931,244</u>	<u>\$ 1,018,839</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ -0-	\$ 19,798
Compensated Absences		43,806
Accrued Wages		14,525
Due to Other Fund		60,316
Operating Grants Payable	<u>111,112</u>	
Total Current Liabilities	<u>\$ 111,112</u>	<u>\$ 138,445</u>
<u>NET ASSETS</u>		
Investment in Capital Assets	\$ -0-	\$ 910,850
Unrestricted (Deficit)	<u>820,132</u>	<u>(30,456)</u>
Total Net Assets	<u>\$ 820,132</u>	<u>\$ 880,394</u>

See Auditor's Report and Notes to the Financial Statements.

HURON COUNTY TRANSIT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS
Year Ended September 30, 2007

	<u>GOVERNMENTAL ACTIVITY HURON TRANSIT FUND</u>	<u>BUSINESS TYPE ACTIVITY HURON TRANSIT CORPORATION</u>
Operating Revenues		
Demand Response	\$ -0-	\$ 111,283
Contract Fares		220,909
Freight Revenue		4,704
Insurance Refunds		6,064
Fuel Tax Refunds		<u>10,898</u>
Total Operating Revenues	<u>\$ -0-</u>	<u>\$ 353,858</u>
Operating Expenses	\$ -0-	\$(1,777,453)
Operating Loss	<u>-0-</u>	<u>(1,423,595)</u>
Non-Operating Revenues		
Local Revenues - Property Taxes	\$ 297,325	\$ -0-
State Operating Grants - Act 51 06-07	523,603	
State Capital Grants	16,000	
Federal Operating Grants - Section 5311	229,526	
Federal Capital Grants	64,000	
Rural Transit Assistance Program	1,464	
Transfers under Operations Contract		1,096,548
Interest Income	<u>38,129</u>	
Total Non-Operating Revenues	<u>\$ 1,170,047</u>	<u>\$ 1,096,548</u>
Non-Operating Expenses		
Transfers Under Operations Contract	<u>1,096,548</u>	<u>-0-</u>
Increase (Decrease) in Net Assets	73,499	(327,047)
Net Assets - October 1, 2006	<u>746,633</u>	<u>1,207,441</u>
Net Assets - September 30, 2007	<u>\$ 820,132</u>	<u>\$ 880,394</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
STATEMENT OF CASH FLOWS - BUSINESS TYPE ACTIVITY
Year Ended September 30, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities

Cash From Customers	\$ 372,086
Cash From Insurance and Fuel Tax Refunds	16,962
Payments to Suppliers and Others	(716,777)
Payments to Employees	(687,036)
Net Cash Used by Operating Activities	<u>\$ (1,014,765)</u>

Cash Flows From Non-Capital Financing Activities

Transfers under Operations Contract	<u>\$ 1,096,548</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>\$ 1,096,548</u>

Cash Flows From Capital and Related Financing Activities

Capital Assets Purchased	<u>\$ (82,242)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (82,242)</u>
Net Increase (Decrease) in Cash	\$ (459)
Cash - October 1, 2006	<u>52,346</u>
Cash - September 30, 2007	<u><u>\$ 51,887</u></u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (1,423,595)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	388,925
(Increase) Decrease in	
Accounts Receivable - Customers	35,190
Prepaid Expenses	(206)
Inventory	6,254
Increase (Decrease) in	
Accounts Payable	(45,610)
Accrued Wages	1,310
Compensated Absences	3,955
Due to Other Funds	<u>19,012</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,014,765)</u></u>

See Auditor's Report and Notes to the Financial Statements.

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF REPORTING ENTITY:

As a component unit of the County of Huron, the Corporation has entered into a contract with the County to operate a county-wide transportation system with financial assistance provided by Act No. 51 of the Public Acts of 1951 and Section 5311 of the Federal Transit Law of 1964. The Huron County transit operations are accounted for in a special revenue fund, the Huron Transit Fund, and an enterprise fund, the Huron Transit Corporation. The Huron County Transit Funds have no oversight responsibility, accordingly, there are no other governmental entities included in the component unit financial statements.

The accounting policies of the Huron County Transit funds conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable; expenditures are recognized when they become a liability. Enterprise funds are accounted for using the full accrual basis of accounting. The full accrual basis of accounting provides that revenues are recorded when earned and expenditures are recorded when the liability is incurred.

GOVERNMENTAL TYPE FUNDS ACTIVITIES:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

BUSINESS TYPE FUNDS ACTIVITIES:

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PROPERTY TAXES:

Property taxes are levied on each December 1st on the State taxable value of property located in the County as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50% of current market value.

The 2006 State taxable valuation of the County totaled over \$1.5 million on which .1991 mills were levied for public transportation services. Taxes are payable without a penalty through February 14. Delinquent taxes are purchased by the County Revolving Fund which remits these taxes to the Transit Fund.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Michigan Public Act No. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2007, expenditures in the Huron Transit Special Revenue Fund incurred no expenditures in excess of the amount appropriated.

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CREDIT RISK:

Deposits are carried at cost. Deposits are in one financial institution in the name of the County. Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

CUSTODIAL CREDIT RISK:

The deposits of the Huron Transit Fund and the Huron Transit Corporation are in accordance with statutory authority.

At September 30, 2007, the balance sheet carrying amount of deposits was \$872,019 and the bank balance as of September 30, 2007 was \$882,721. Cash accounts are pooled with the funds of other County entities and are considered as one insurable entity for the purposes of FDIC insurance. Accordingly, none of the cash deposits are insured.

INVENTORY:

Inventories consist of fuel which is valued at the lower of cost or market. Office supplies are not included in inventories.

CAPITAL ASSETS:

The Corporation defines capital assets as assets with an initial, individual cost of more than \$5,000, except for assets purchased with Federal and/or State grants which are capitalized regardless of amount, and an estimated useful life in excess of one year. Donated assets are valued at their estimated fair market value on the date donated. Provisions for depreciation of building, improvements and equipment are computed on the straight-line method over the assets useful life as listed on the following schedule.

Depreciation expense on assets purchased with Federal and/or State grants are subtracted out as ineligible for operating assistance calculations.

MAJOR CLASSES OF CAPITAL ASSETS CONSIST OF THE FOLLOWING:

	<u>USEFUL LIVES</u>	<u>PURCHASED WITH AUTHORITY FUNDS</u>	<u>PURCHASED WITH CAPITAL GRANTS</u>	<u>TOTAL</u>
Capital Assets Not Being Depreciated				
Land	N/A	\$ 17,500	\$ -0-	\$ 17,500
Other Capital Assets				
Buildings and Improvements	20-30 Years	13,139	1,148,930	1,162,069
Vehicles	4-12 Years	28,298	2,380,893	2,409,191
Office Equipment	4-10 Years	37,627	135,863	173,490
Maintenance Equipment	3-10 Years	16,245	80,204	96,449
Communications and Video	6-10 Years	7,562	131,688	139,250
Total Capital Assets		\$ 120,371	\$ 3,877,578	\$ 3,997,949
Less: Accumulated Depreciation		(90,054)	(2,997,045)	(3,087,099)
Net Property and Equipment		\$ 30,317	\$ 880,533	\$ 910,850

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ADDITIONS AND DISPOSALS FOR THE YEAR ENDED SEPTEMBER 30, 2007 ARE AS FOLLOWS:

	<u>BALANCE</u> <u>10/01/06</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>9/30/07</u>
Capital Assets Not Being Depreciated				
Land	\$ 17,500	\$ -0-	\$ -0-	\$ 17,500
Capital Assets Being Depreciated				
Building and Improvements	\$ 1,120,719	\$ 41,350	\$ -0-	\$ 1,162,069
Vehicles	2,368,299	40,892		2,409,191
Office Equipment	173,490			173,490
Maintenance Equipment	96,449			96,449
Communications and Video	139,250			139,250
Total Capital Assets Being Depreciated	\$ 3,898,207	\$ 82,242	\$ -0-	\$ 3,980,449
Less Accumulated Depreciation for				
Building and Improvements	\$ 788,085	\$ 59,361	\$ -0-	\$ 847,616
Vehicles	1,626,279	311,253		1,937,532
Office Equipment	109,665	7,254		116,919
Maintenance Equipment	81,953	1,933		83,886
Communications and Video	92,191	8,954		101,146
Total Accumulated Depreciation	2,698,173	388,925	-0-	3,087,099
Net Capital Assets Being Depreciated	1,200,034	(306,683)	-0-	893,350
Net Capital Assets	\$ 1,217,534	\$ (306,683)	\$ -0-	\$ 910,850

RISK FINANCING:

The Huron Transit Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self insurance pool) to account for and finance these risks of loss. Currently, the pool has two separate loss protection programs known as (1) the Liability Coverage Program and (2) the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses, and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Generally, the Corporation's maximum loss per occurrence is limited as follows:

	<u>DEPOSIT</u> <u>PREMIUMS</u>	<u>MAXIMUM</u> <u>RETENTION PER</u> <u>OCCURRENCE</u>	<u>COVERAGE LIMIT</u> <u>PER OCCURRENCE</u>
Motor Vehicle and General Liability	\$ 65,878	\$ 100,000	\$ 1,000,000
Direct Property Damage	\$ 15,985	\$ 10,000	Book Value of Property

If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.

Members pay directly the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility, but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Corporation reports its required contribution to these programs as insurance expense for the period of coverage. Additional assessments which are considered likely are accrued in accordance with FASB Statement No. 5.

HURON COUNTY TRANSIT FUNDS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ACCOUNTS RECEIVABLE:

Receivables have been recognized for all significant amounts due the Huron County Transit Funds. Valuation reserves have not been provided because the collection thereof is not considered doubtful.

DEFERRED COMPENSATION:

Huron Transit Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Huron Transit Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Huron Transit Corporation's financial statements. Employer contributions for the year were \$1,395.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

COMPENSATED ABSENCES:

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employees monthly, not to exceed a total accumulation of twenty days. Vacation pay leave is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of one day for each month of service, not to exceed a total accumulation of sixty days for full-time employees. Sick leave is payable at 50% to employees when they voluntarily terminate employment, 0% for involuntary termination.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HURON TRANSIT CORPORATION**OPERATING EXPENSES**

Year Ended September 30, 2007

Schedule 1

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINISTRATION</u>	<u>TOTAL SYSTEM</u>
Operating Expenses				
Labor				
Operator	\$ 456,082	\$ -0-	\$ -0-	\$ 456,082
Other Wages		48,249	111,959	160,208
Dispatcher Wages	37,631			37,631
Fringe Benefits	207,696	24,598	57,109	289,403
Advertising			10,112	10,112
Services	2,622	8,474	20,632	31,728
Materials and Supplies Consumed				
Fuel and Lubricants	181,618	941		182,559
Other Materials and Supplies	14,114	66,897	8,661	89,672
Utilities	37,831			37,831
Casualty and Liability Costs				
Premiums for Public Liability and Property Damage Insurance	65,102			65,102
Premiums - Other Corporate Insurance			6,640	6,640
Miscellaneous				
Travel and Meetings	1,089		5,175	6,264
Dues and Subscriptions			3,826	3,826
Prior Year Act 51 Payments			11,470	11,470
Depreciation and Amortization	<u>379,738</u>	<u>1,933</u>	<u>7,254</u>	<u>388,925</u>
Total Operating Expenses	<u>\$ 1,383,523</u>	<u>\$ 151,092</u>	<u>\$ 242,838</u>	<u>\$ 1,777,453</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
Year Ended September 30, 2007
Schedule 2

	<u>RURAL TRANSIT ASSISTANCE PROGRAM</u>	<u>GENERAL OPERATIONS</u>	<u>TOTAL</u>
Labor	\$ -0-	\$ 653,921	\$ 653,921
Fringe Benefits		289,403	289,403
Advertising		10,112	10,112
Services		31,728	31,728
Materials and Supplies		272,231	272,231
Utilities		37,831	37,831
Casualty and Liability Costs		71,742	71,742
Miscellaneous Expense	1,464	20,096	21,560
Depreciation		<u>388,925</u>	<u>388,925</u>
	<u>\$ 1,464</u>	<u>\$ 1,775,989</u>	<u>\$ 1,777,453</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
Year Ended September 30, 2007
Schedule 3

	FEDERAL SECTION 5311	STATE OPERATING ASSISTANCE
	10/1/06 9/30/07	10/1/06 9/30/07
Expenses		
Labor	\$ 653,921	\$ 653,921
Fringe Benefits	289,403	289,403
Advertising	10,112	10,112
Services	31,728	31,728
Materials and Supplies	272,231	272,231
Utilities	37,831	37,831
Casualty and Liability Costs	71,742	71,742
Miscellaneous	20,096	20,096
Depreciation	<u>388,925</u>	<u>388,925</u>
Total Expenses	\$ 1,775,989	\$ 1,775,989
Less: Ineligible Expenses		
Ineligible Dues	\$ 250	\$ 250
Depreciation	386,825	386,825
Cost of Audit	<u>5,600</u>	<u></u>
Total Ineligible Expenses	\$ 392,675	\$ 387,075
Less: Non-Transportation Revenue		
State Act 51 Repayments	11,470	11,470
Fuel Tax Refunds	10,898	10,898
Insurance Refunds	6,064	6,064
Freight Tariffs	<u>4,728</u>	<u>4,728</u>
Total Non-Transportation Revenue	\$ 33,160	\$ 33,160
Net Ineligible Expenses	\$ 425,835	\$ 420,235
Net Eligible Expenses	<u>\$ 1,350,154</u>	<u>\$ 1,355,754</u>
Maximum Section 5311 Reimbursement (17.0%)	<u>\$ 229,526</u>	
Preliminary Reimbursement (38.6208%)		<u>\$ 523,603</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
DETAIL OF INELIGIBLE EXPENSES AND REVENUES
Year Ended September 30, 2007
Schedule 4

NON-TRANSPORTATION REVENUE:

Revenue earned from package delivery is deducted as ineligible project revenue for Federal Section 5311 and State Operating Assistance. Insurance premiums refunded by Michigan Transit Pool and fuel tax refunds are deducted from eligible expenses.

NOTE:

Since the Company did not expend more than \$500,000 in federal funds during the fiscal year 2006, the cost of the audit is not eligible for federal reimbursement. Payments made to the state for overpaid prior year Act 51 reimbursements have been deducted as ineligible.

HURON TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended September 30, 2007
Schedule 5

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues			
Property Taxes	\$ 284,000	\$ 297,325	\$ 13,325
State Operating Assistance	587,356	523,603	(63,753)
State Capital Assistance	16,000	16,000	-0-
Federal Section 5311 Operating Assistance	223,642	229,526	5,884
Federal Capital Assistance	64,000	64,000	-0-
Interest Income	20,000	38,129	18,129
Rural Transit Assistance Program	<u>2,500</u>	<u>1,464</u>	<u>(1,036)</u>
Total Revenues	\$ 1,197,498	\$ 1,170,047	\$ (27,451)
Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,197,498	\$ 1,170,047	\$ (27,451)
Other Financing Sources (Uses)			
Transfers Under Operations Contract	<u>1,117,150</u>	<u>1,096,548</u>	<u>20,602</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	\$ 80,348	\$ 73,499	\$ (6,849)
Fund Balance - October 1, 2006	<u>746,633</u>	<u>746,633</u>	<u>-0-</u>
Fund Balance - September 30, 2007	<u>\$ 826,981</u>	<u>\$ 820,132</u>	<u>\$ (6,849)</u>

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT FUNDS
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2007
Schedule 6

FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE AT 10/1/06	CURRENT YEAR RECEIPTS/(PAYMENTS) REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 9/30/07
Federal Transit Administration Passed through Michigan Department of Transportation							
Operating Assistance - Section 5311	20.509	07-0227/Z1	\$ 229,526	\$ -0-	\$ 223,074	\$ 229,526	\$ 6,452
		02-0083/Z10		37,785	35,362		2,423
		02-0083/Z8		(1,549)			(1,549)
		02-0083/Z6		(2,988)			(2,988)
		02-0083/Z4		(4,408)			(4,408)
		02-0047		(1,504)			(1,504)
		99-0072		1,921			1,921
Capital Assistance - Section 5311	20.500	02-0047/Z5	32,000	-0-	32,000	32,000	-0-
Capital Assistance - Section 5311	20.500	02-0047/Z7R1	32,000	-0-		32,000	32,000
Total Federal Financial Assistance				\$ 29,257	\$ 290,436	\$ 293,526	\$ 32,347
Michigan Department of Transportation Operating Assistance-Act 51							
Operating Assistance - Act 51, 2006-07				\$ -0-	\$ 575,817	\$ 523,603	\$ (52,214)
Operating Assistance - Act 51, 2005-06				(31,897)		14,090	(17,807)
Operating Assistance - Act 51, 2004-05				(38,664)		8,022	(30,642)
Capital Assistance		02-0047/Z5	8,000	-0-	8,000	8,000	-0-
Capital Assistance		02-0047/Z7R1	8,000	-0-		8,000	8,000
Total State Financial Assistance				\$ (70,561)	\$ 583,817	\$ 561,715	\$ (92,663)
Total Federal and State Financial Assistance				\$ (41,304)	\$ 874,253	\$ 855,241	\$ (60,316)

See Auditor's Report and Notes to the Financial Statements.

HURON TRANSIT CORPORATION
MILEAGE DATA (UNAUDITED)
Year Ended September 30, 2007
Schedule 7

PUBLIC
TRANSPORTATION
MILEAGE

Demand - Response

1st Quarter - December 31, 2006	199,216
2nd Quarter - March 31, 2007	187,231
3rd Quarter - June 30, 2007	181,016
4th Quarter - September 30, 2007	<u>165,367</u>

Total Demand - Response	<u><u>732,830</u></u>
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Total Operation	<u><u>732,830</u></u>
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The methodology used for compiling the annual mileage has been reviewed and found to be an adequate and reasonable method for recording vehicle mileage.

See Auditor's Report and Notes to the Financial Statements.



ROBSON AND McCALLUM
Certified Public Accountants

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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERSBASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Huron Transit Corporation
Bad Axe, Michigan 48413

We have audited the basic financial statements of the Huron Transit Corporation a component unit of the County of Huron as of and for the year ended September 30, 2007, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Huron Transit Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Huron Transit Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robson & McCallum, CPA's
March 26, 2008



ROBSON AND McCALLUM
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To the Board of Directors
Huron Transit Corporation

We have audited the financial statements of Huron Transit Corporation for the year ended September 30, 2007 and have issued our report thereon dated March 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Huron Transit Corporation are described in the Notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates for 2007.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Huron Transit Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robson & McCall CRA's", is written over the typed name.